

PAID UP  
WITH 40/640 ACRES POOLING PI

Fee: \$ 44.00

Submitter: SIMPLIFILE

8 Pages

*Argonne Henderson*  
**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER LICENSE NUMBER.**

**OIL, GAS AND MINERAL LEASE  
(PAID-UP)**

THIS AGREEMENT dated May 28, 2008, between JEFFREY WALIKONIS AND CONNIE WALIKONIS, Lessor (whether one or more) whose address is: 960 Alameda, San Carlos, California 94070 and CHEYENNE OIL AND GAS INC., whose address is: 6300 RIDGLEA PLACE, SUITE 902, FORT WORTH, TEXAS 76116, Lessee WITNESSETH:

1. Lessor in consideration of Ten and No/100 and Other Valuable Consideration Dollars (\$10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively to Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, sulphur, fissionable materials and all other minerals (whether or not similar to those mentioned), conducting exploration, geologic and geophysical tests and surveys, injecting gas, water and other fluids and air into subsurface strata, laying pipelines, establishing and utilizing facilities for the disposition of salt water, dredging and maintaining canals, building roads, bridges, tanks, telephone lines, power stations and other structures thereon, and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto necessary to Lessee in operations to produce, save, take care of, treat, transport and own said minerals, the following described land in Tarrant County, Texas, to-wit:

SEE ATTACHED EXHIBIT "A" FOR ADDITIONAL PROVISIONS  
SEE ATTACHED EXHIBIT "B" FOR LAND DESCRIPTION

This lease also covers and includes all land and interest in land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys. For the purpose of calculating shut-in royalty payments and other payments computed in accordance therewith, said land is estimated to contain 0.165 acres whether it contains more or less.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil, gas or other minerals, and without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease is a paid up lease and shall be for a term of Three (3) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from or operations are conducted on said land or lands with which said land is pooled hereunder or as long as this lease is continued in effect as otherwise provided herein. The word "operations" as used herein shall include but not be limited to any of the following: preparing drillsite location and/or access roads, drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in an endeavor to obtain production of oil, gas, or other minerals and any other actions conducted on said lands associated with or related thereto.

3. The royalties to be paid by Lessee are: (a) on oil, twenty-two percent (22%) of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase, and Lessee may sell any royalty oil in its possession and pay Lessor the price received by Lessee for such oil computed at the well; and (b) on gas, including all gases, processed liquid hydrocarbons associated therewith and any other respective constituent elements, casinghead gas or other gaseous substance produced from said land and sold or used off the premises or for the extraction of gasoline or other product there from, the market value at the well of twenty-two percent (22%) of the gas so sold or used, provided that on gas sold by Lessee the market value shall not exceed the amount received by Lessee for such gas computed at the mouth of the well, and on gas sold at the well the royalty shall be twenty-two percent (22%) of the amount realized by Lessee from such sale, it being understood that Lessor's interest shall bear its pro-rata portion of all compression, treating, dehydrating, and transporting costs incurred in marketing the gas so sold at the wells. If the price of any mineral or substance upon which royalty is payable hereunder is regulated by any governmental agency, the market value or market price of such mineral or substance for the purpose of computing royalty

hereunder shall not be in excess of the price which Lessee may receive and retain. Any royalty interests, including, without limitation, non-participating royalty interests, in said land, whether or not owned by Lessor, and whether or not effectively pooled by Lessee pursuant to the provisions hereof, shall be paid from the royalty set forth herein. Lessee shall have free from royalty or other payment the use of water, other than water from Lessor's wells or tanks, and of oil and gas produced from said land in all operations which Lessee may conduct hereunder, including water injection and secondary recovery operations, and the royalty on oil and gas shall be computed after deducting any so used. If Lessee drills a well on land covered by this lease or on land pooled therewith, which well is capable of producing oil or gas but such well is not being produced and this lease is not being maintained otherwise as provided herein, this lease shall not terminate, whether it be during or after the primary term, (unless released by Lessee) and it shall nevertheless be considered that oil or gas is being produced from the land covered by this lease. When the lease is continued in force in this manner, Lessee shall pay or tender as royalty to the parties who at the time of such payment would be entitled to receive royalty hereunder if the well were producing by mailing to such parties by UNITED STATES MAIL DIRECTLY TO ABOVE ADDRESS a sum equal to \$10.00 per net mineral acre covered by this lease during the period which said well is situated on said land, or on land pooled therewith, and this lease is not otherwise maintained, or this lease is not released by Lessee as to the land on which or the horizon, zone or formation in which the well is completed. The first payment of such sum shall be made on or before the first day of the calendar month after expiration of ninety (90) days from the date the lease is not otherwise maintained, and thereafter annually on or before the anniversary date of this lease. It is understood and agreed that no shut-in royalty payment shall be due during the primary term. Lessee's failure to pay or tender or to properly or timely pay or tender such sum as royalty shall render Lessee liable for the amount due but it shall not operate to terminate this lease.

4. Lessee, at its option, is hereby given the right and power during or after the primary term while this lease is in effect to pool or combine the land covered by this lease, or any portion thereof, as to oil, gas and other minerals, or any of them with any other land covered by this lease, and/or any other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate the leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee promote the conservation of oil gas or other mineral in and under and that may be produced from the premises. Units pooled for oil hereunder shall not substantially exceed in area 40 acres each plus a tolerance of 10% thereof, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee may pool or combine land covered by this lease or any portion thereof, as above provided as to oil in any one or more strata and as to gas in any one or more strata. Units formed by pooling as to any stratum or strata need not conform in size or area with units as to any other stratum or strata, and oil units need not conform as to area with gas units. Pooling in one or more instances shall not exhaust the rights of Lessee to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit; the unit shall become effective as provided in said instrument, or if said instrument makes no such provision, it shall become effective upon the date it is filed for record. Each pooled unit shall be effective as to all parties hereto, their heirs, successors and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. Lessee may at its election exercise its pooling option as to oil, gas and other minerals before or after commencing operations for or completing an oil or gas well or well or mine for other mineral on the leased premises, and the pooled unit may include, but is not required to include, land or leases upon which a well capable of producing oil, gas or other mineral in paying quantities has theretofore been completed or upon which operations for drilling of a well for oil, gas or other mineral have theretofore been commenced. Operations for drilling on, or production of oil, gas or other mineral from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this lease or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil, gas or other mineral from land covered by this lease whether or not the well or wells be located on land covered by this lease, and the entire acreage constituting such unit or units, as to oil, gas or other minerals, or any of them, as herein provided, shall be treated for all purposes except the payment of royalties on production from the

pooled unit, as if the same were included in this lease; provided that if after creation of a pooled unit, a well is drilled on the unit area, other than on the land covered hereby and included in the unit, which well is not classified as the type of well for which the unit was created (oil, gas or other mineral as the case may be), such well shall be considered a dry hole for purposes of applying the additional drilling and reworking provisions of Paragraph 5 hereof. If an oil well on an oil unit, which includes all or a portion of the leased premises, is reclassified as a gas well, or if a gas well on a gas unit, which includes all or a portion of the leased premises is reclassified as an oil well, the date of such reclassification shall be considered as the date of cessation of production for purposes of applying the additional drilling and reworking and resumption provisions of Paragraph 5 hereof as to all leases any part of which are included in the unit other than the leased premises on which the well is located. For the purpose of computing royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil, gas or other minerals from each pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil, gas or other minerals produced from the unit after deducting that used for operations on the unit. Such allocation shall be on an acreage basis-that is, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil, gas or other minerals produced from the pooled unit which the number of surface acres covered by this lease (or in each separate tract) and included in the unit bears to the total number of surface acres included in the pooled unit. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Royalties hereunder shall be computed on the portion of such production, whether it is oil, gas or other minerals, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. Production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. Any pooled unit designated by Lessee in accordance with the terms hereof may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after completion of a dry hole or cessation of production on said unit.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 90 days prior to the end of the primary term, or if oil, gas or other mineral shall have been discovered within 90 days prior to the end of the primary term and is not being produced for any cause, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for drilling or reworking within 90 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land, or from land pooled therewith. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered. Lessee shall retain rights of ingress and egress across and through any released portion of the lease in order to have necessary access to that portion of the leased premises which remain in force and on which Lessee continues to conduct operations.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When necessary for utilization of the surface for some intended use by Lessor and upon request of Lessor or when deemed necessary by Lessee for protection of the pipeline, Lessee will bury pipelines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or

diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and the measurement of production; and no change or division in such ownership shall be binding on Lessee until forty-five (45) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

8. The breach by Lessee of any obligation hereunder shall not work as forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have ninety (90) days after receipt of such notice in which to commence the compliance with the obligations imposed by this lease. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of ninety (90) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee to attempt to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. After discovery of oil, gas or other mineral in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonable prudent operator but in discharging this obligation as to oil and gas it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder plus an acreage tolerance of 10% thereof and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance of 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

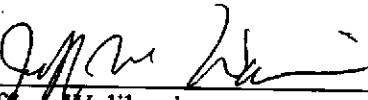
9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and if Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. When required by the state, federal or other law, Lessee may withhold taxes with respect to royalty and other payments hereunder and remit the amounts withheld to the applicable taxing authority for the credit of Lessor. Without impairment of Lessee's rights under the warranty in event of failure of title, if Lessor owns an interest in the oil, gas or other minerals on, in or under said land less than the entire fee simple estate, whether or not this lease purports to cover the whole or a fractional interest the royalties and shut in royalties to be paid Lessor shall be reduced in the proportion that his interest bears to the whole and undivided fee and in accordance with the nature of the estate of which Lessor is seized. If Lessor owns less than the full bonus rights for the mineral estate in and under the land, the bonus consideration paid for this lease shall be proportionately reduced. In the case of overpayment of the lease bonus, Lessor shall refund such overpayment to Lessee within thirty (30) days of Lessee providing to Lessor an opinion of counsel that Lessor owns less than the mineral rights covered by the bonus payment. Should any one or more of the parties named above as Lessor fail to execute this lease, it shall nevertheless be binding upon the party or parties executing same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or on land pooled therewith or from producing oil, gas or other mineral there from or from land pooled therewith by reason of scarcity or of inability to obtain or to use equipment or material, or by operation of force majeure, any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil, gas or other mineral from the leased premises or land pooled therewith, and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. The specification of causes of force majeure herein enumerated shall not exclude other causes from consideration in determining whether Lessee has used reasonable diligence wherever required in fulfilling any obligations or conditions of this lease, express or implied, and a delay of not more than six (6) months after termination of force majeure shall be deemed justified. All terms and conditions of this lease, whether express or implied, shall be subject to all Federal, State and Local Laws, Executive Orders, Rules, or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.


11. This lease states the entire contract between the parties, and no representation or promise, verbal or written, on behalf of either party shall be binding unless contained herein, and this lease shall be binding upon each party executing the same and their successors, heirs, and assigns, regardless of whether or not executed by all persons above named as "Lessor".
12. Each singular pronoun herein shall include the plural whenever applicable.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

LESSOR:


  
 Jeffrey Walikonis

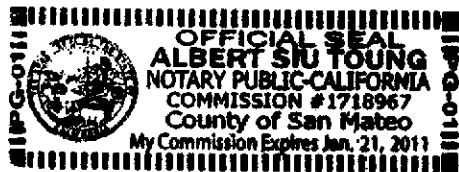
LESSOR:

  
 Connie Walikonis

STATE OF CALIFORNIA           §  
   §  
 COUNTY OF SAN MATEO       §

This instrument was acknowledged before me on this 28<sup>th</sup> day of MAY 2008, 2007, by Jeffrey Walikonis and Connie Walikonis.

  
 NOTARY PUBLIC, STATE OF CALIFORNIA



## EXHIBIT "A"

Attached to and made a part of that certain Oil, Gas and Mineral Lease dated May 28, 2008, between the Lessor herein and CHEYENNE OIL AND GAS, INC., as Lessee.

### 1. AGREEMENTS SUPERSEDE

It is understood and agreed by all parties hereto that the provisions of this Exhibit supersede any provisions to the contrary contained in the printed lease hereof.

### 2. OIL AND GAS ONLY

Notwithstanding any other provision hereof, it is understood and agreed that this lease covers and includes oil and gas only (including with oil and gas, all constituent elements thereof and all other liquefiable hydrocarbons and products of every kind or character derived there from and produced therewith from the well bore, including sulphur), and that all minerals other than oil and gas are excepted herefrom and reserved to Lessor. Solid minerals, such as iron, coal, sand, gravel, clay, uranium and sulphur (apart from sulphur produced through the well bore) are excluded from this lease.

### 3. NO SURFACE USE

Lessee does not by virtue of this lease acquire any rights whatsoever to conduct any operations on the surface of the lease premises without first obtaining the prior written consent of Lessor, however, Lessee may recover oil, gas and associated hydrocarbons from the lease premises by directional or horizontal drilling, pooling, unitization or any other method provided in this lease. It is agreed and understood that Lessee shall have access to the surface for purposes of conducting vibroseis seismic operations.

### 4. LEGAL COMPLIANCE

Lessee shall conduct all operations hereunder in accordance with the rules and regulations of the Texas Commission on Environmental Quality and the Railroad Commission of Texas, and Lessee shall strictly observe and comply with all local, state and federal environmental laws and regulations dealing with the herein leased premises and shall indemnify and hold harmless Lessor for any losses incurred as a result of violations thereof.

### 5. INDEMNITY AND INSURANCE

LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY LESSEE'S OPERATIONS ON THE LAND OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

### 6. BINDING EFFECT

This lease shall be binding on the parties hereto and their successors, assigns, heirs and legal representatives.

### 7. SUBORDINATION OF LIENS


If Lessor's mineral interest is subject to an existing deed of trust lien or other encumbrance and Lessee requires that such lien or encumbrance be subordinated to this Oil, Gas and Mineral Lease, Lessee agrees to pay any processing fee charged by the owner of such lien or encumbrance for executing the subordination of lien.

**8. LIMITED WARRANTY OF TITLE**

Lessor warrants that he/she has not previously conveyed or leased his/her mineral interest in the land covered by this Oil, Gas and Mineral Lease. A deed of trust lien or other lien collateralizing or securing a loan is not considered a conveyance for purposes of this limited warranty of title. Subject to the limited warranty of title contained in this Paragraph 8, Lessor does not warrant title to the land covered by this Oil, Gas and Mineral Lease either expressly or implied.

**SIGNED FOR IDENTIFICATION:**

**LESSOR(S)**

  
\_\_\_\_\_  
Jeffrey Walikonis

  
\_\_\_\_\_  
Connie Walikonis

EXHIBIT "B"

Attached to and made a part of that certain Oil, Gas and Mineral Lease dated May 28 2008, between the Lessor herein and CHEYENNE OIL AND GAS, INC., as Lessee.

Legal Description:

LOT 27-R, BLOCK 1-R, SPRING VALLEY ADDITION, an addition to the City of Arlington, Tarrant County, Texas, according to the Plat recorded in Volume 388-118, Page 32, Plat Records, Tarrant County, Texas.